

**CITY OF SANBORN, IOWA  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

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## CITY OF SANBORN, IOWA

## OFFICIALS

Name	Title	Term Expires
(Before January 2008)		
Thomas Ginger	Mayor	January 2008
Duane Van Veldhuizen	Mayor Pro tem	January 2008
Aaron Alons	Council Member	January 2008
Tim Devitt	Council Member	January 2008
Ron Schott	Council Member	January 2010
*Dennis Van Veldhuizen, Sr.	Council Member	January 2010
(After January 2008)		
Thomas Ginger	Mayor	January 2010
Duane Van Veldhuizen	Mayor Pro tem	January 2012
Aaron Alons	Council Member	January 2012
Tim Devitt	Council Member	January 2012
Ron Schott	Council Member	January 2010
*Dennis Van Veldhuizen, Sr.	Council Member	January 2010
*Resigned in June 2008		
Jim Zeutenhorst	City Administrator	Appointed
Becki Hurtig	Clerk	Appointed
Candice Lyman	Deputy Clerk/Accountant	Appointed
Daniel DeKoter	Attorney	Appointed



**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's primary government basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sanborn's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

These financial statements include financial data only for the primary government. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. Inclusion of financial data of the City's component unit would be required if the City intended to present financial statements in accordance with generally accepted accounting principles.

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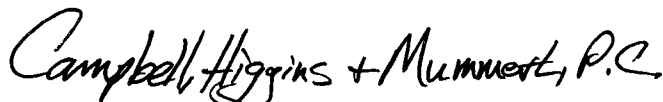
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- Meetings at your place or ours

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Sanborn, Iowa, as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2008 on our consideration of the City of Sanborn's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 20 through 21 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanborn's primary government basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein), and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, HIGGINS & MUMMERT, P.C.  
Certified Public Accountants

October 30, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Sanborn provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Total receipts decreased 13%, or approximately \$583,000, from fiscal year 2007 to fiscal year 2008.
- Total disbursements increased 1%, or approximately \$42,000, from fiscal year 2007 to fiscal year 2008.
- The City's total cash basis net assets decreased 11%, or approximately \$271,000, from June 30, 2007 to June 30, 2008. Of this amount, the net assets of the governmental activities decreased approximately \$399,000 and the net assets of the business type activities increased by approximately \$128,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, gas, sewer rental and solid waste collection systems. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment, and Local Option Sales Tax and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, gas, sewer rental and solid waste collection funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased approximately \$399,000 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2008	2007
Receipts and Transfers:		
Program Receipts:		
Charges for Services -----	\$ 270	\$ 203
Operating Grants, Contributions and Restricted Interest --	103	17
Capital Grants, Contributions and Restricted Interest ----	130	267
General Receipts:		
Property Tax -----	637	601
Local Option Sales Tax -----	120	111
Grants and Contributions Not Restricted		
to Specific Purposes -----	64	73
Unrestricted Interest on Investments -----	45	50
Miscellaneous -----	13	42
Sale of Assets -----	26	48
Note Proceeds -----	-	720
Transfers, Net -----	109	47
Total Receipts and Transfers -----	<u>1,517</u>	<u>2,179</u>
Disbursements:		
Public Safety -----	206	325
Public Works -----	174	193
Health and Social Services -----	-	-
Culture and Recreation -----	564	663
Community and Economic Development -----	175	110
General Government -----	115	116
Debt Service -----	266	523
Capital Projects -----	416	26
Total Disbursements -----	<u>1,916</u>	<u>1,956</u>
Increase (Decrease) in Cash Basis Net Assets -----	(399)	223
Cash Basis Net Assets Beginning of Year -----	<u>1,360</u>	<u>1,137</u>
Cash Basis Net Assets End of Year -----	<u>\$ 961</u>	<u>\$ 1,360</u>

The City's total receipts and transfers for governmental activities decreased by 31%, or approximately \$662,000 due mainly to a decrease in note proceeds of \$720,000 in the current year.

The total cost of all programs and services decreased by approximately \$40,000, or 2%, due to several factors.

There were no significant changes in property tax rates for the current year and no significant changes are budgeted for next year.



Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services:		
Water -----	\$ 213	\$ 198
Gas -----	1,691	1,624
Sewer Rental -----	457	402
Solid Waste Collection -----	95	91
Capital Grants, Contributions and Restricted Interest -----	-	-
General Receipts:		
Unrestricted Interest on Investments -----	41	35
Sale of Assets -----	-	5
Total Receipts -----	<u>2,497</u>	<u>2,355</u>
Disbursements and Transfers:		
Water -----	214	190
Gas -----	1,574	1,506
Sewer Rental -----	378	400
Solid Waste Collection -----	94	81
Transfers, Net -----	109	47
Total Disbursements and Transfers -----	<u>2,369</u>	<u>2,224</u>
Increase (Decrease) in Cash Basis Net Assets -----	128	131
Cash Basis Net Assets Beginning of Year -----	<u>1,166</u>	<u>1,035</u>
Cash Basis Net Assets End of Year -----	<u>\$ 1,294</u>	<u>\$ 1,166</u>

Total business type activities receipts for the fiscal year were \$2.497 million compared to \$2.355 million last year. This overall increase was mainly due to increases in gas and sewer rental receipts of approximately \$67,000 and \$55,000, respectively. Total disbursements and transfers for the fiscal year were \$2.369 million compared to \$2.224 million last year. This overall increase was mainly due to increases in gas fund disbursements of approximately \$68,000 and transfers of approximately \$62,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Sanborn completed the year, its governmental funds reported a combined fund balance of approximately \$961,000, a decrease of approximately \$399,000 from last year's total of approximately \$1,360,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased approximately \$116,000 from the prior year to approximately \$235,000. This decrease was mainly due to the completion of the construction of a new library building in the current year as well as improvements made to the EMS building.
- The Urban Renewal Tax Increment Fund cash balance decreased by approximately \$248,000 from the prior year to approximately \$289,000. This decrease was mainly the result of capital projects incurred in the current year relating to street and water main improvements.
- The Debt Service Fund cash balance decreased by approximately \$11,000 from the prior year to approximately \$18,000.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by approximately \$4,000 from the prior year to approximately \$216,000.
- The Gas Fund cash balance increased by approximately \$45,000 from the prior year to approximately \$809,000, due mainly to current year receipts and financing sources exceeding current year disbursements and financing uses.
- The Sewer Rental Fund cash balance increased by approximately \$85,000 from the prior year to approximately \$238,000, due mainly to an increase in charges for services receipts.
- The Solid Waste Collection cash balance increased by approximately \$2,000 from the prior year to approximately \$32,000.

## **BUDGETARY HIGHLIGHTS**

The City of Sanborn had a budget amendment which was approved on May 28, 2008 that provided for a total of \$195,000 of additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's total receipts were \$260,594 more than budgeted. This was primarily due to the City receiving more in total charges for services and miscellaneous receipts than anticipated.

The City's total disbursements were \$647,343 less than the amended budget. However, the City exceeded the amounts budgeted in the culture and recreation, debt service, and business type activities.

## DEBT ADMINISTRATION

At June 30, 2008, the City had \$2,126,000 in bonds and notes, compared to \$2,417,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2008	2007
General Obligation Bonds and Notes -----	\$ 860	\$ 1,085
Revenue Bonds and Notes -----	<u>1,266</u>	<u>1,332</u>
Total -----	<u>\$ 2,126</u>	<u>\$ 2,417</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$860,000 is significantly below its constitutional debt limit of \$2,295,542.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees charged for various City activities. Those factors may include the economy, employment rates, operating expenses, capital projects, and increases in service and state mandates.

These indicators were taken into account when adopting the budget for fiscal year 2009. Total budgeted receipts are approximately \$3,688,000, budgeted net other financing sources are \$1,545,000 and budgeted disbursements are approximately \$5,641,000. If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$408,000 by the close of fiscal year 2009.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk, 102 Main Street, Sanborn, Iowa.

## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - PRIMARY GOVERNMENT**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

Functions / Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and		
		Charges for	Operating Grants,	Capital Grants,	Governmental Business Type	Governmental Business Type	Total
		Services	Contributions, and	Contributions, and	Activities	Activities	
			Restricted Interest	Restricted Interest			
Governmental Activities:							
Public Safety -----	\$ 206,137	\$ 45,219	\$ 10,891	\$ -	\$ (150,027)	\$ -	\$ (150,027)
Public Works -----	173,930	-	-	130,160	(43,770)	-	(43,770)
Health and Social Services -----	-	-	-	-	-	-	-
Culture and Recreation -----	563,835	215,376	90,878	-	(257,581)	-	(257,581)
Community and Economic Development -----	174,789	-	-	-	(174,789)	-	(174,789)
General Government -----	114,919	9,574	-	-	(105,345)	-	(105,345)
Debt Service -----	266,006	-	1,390	-	(264,616)	-	(264,616)
Capital Projects -----	416,338	-	-	-	(416,338)	-	(416,338)
Total Governmental Activities	1,915,954	270,169	103,159	130,160	(1,412,466)	-	(1,412,466)
Business Type Activities:							
Water -----	213,561	212,266	-	-	-	(1,295)	(1,295)
Gas -----	1,574,479	1,691,538	-	-	-	117,059	117,059
Sewer Rental -----	378,556	457,341	-	-	-	78,785	78,785
Solid Waste Collection -----	93,811	94,624	-	-	-	813	813
Total Business Type Activities	2,260,407	2,455,769	-	-	-	195,362	195,362
Total	\$ 4,176,361	\$ 2,725,938	\$ 103,159	\$ 130,160	(1,412,466)	195,362	(1,217,104)
<b>General Receipts:</b>							
Property Tax Levied For:							
General Purposes -----					149,863	-	149,863
Insurance -----					23,451	-	23,451
Tax Increment Financing -----					322,536	-	322,536
Debt Service -----					77,803	-	77,803
Employee Benefits -----					63,670	-	63,670
Local Option Sales Tax -----					119,993	-	119,993
Grants and Contributions Not Restricted to Specific Purposes -----					64,000	-	64,000
Unrestricted Interest on Investments -----					44,674	41,345	86,019
Miscellaneous -----					12,616	-	12,616
Sale of Assets -----					26,075	-	26,075
Transfers -----					109,000	(109,000)	-
Total General Receipts and Transfers					1,013,681	(67,655)	946,026
Change in Cash Basis Net Assets					(398,785)	127,707	(271,078)
Cash Basis Net Assets Beginning of Year					1,360,020	1,166,316	2,526,336
Cash Basis Net Assets End of Year					\$ 961,235	\$ 1,294,023	\$ 2,255,258

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - PRIMARY GOVERNMENT (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Business</b>		
	<b>Governmental</b>	<b>Type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>Cash Basis Net Assets:</b>			
Restricted:			
Streets -----	\$ 28,837	\$ -	\$ 28,837
Urban Renewal Purposes -----	288,946	-	288,946
Debt Service -----	17,994	103,141	121,135
Other Purposes -----	11,669	-	11,669
Unrestricted -----	613,789	1,190,882	1,804,671
<b>Total Cash Basis Net Assets</b>	<b>\$ 961,235</b>	<b>\$ 1,294,023</b>	<b>\$ 2,255,258</b>

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue				Total
	General	Urban Renewal Tax Increment	Debt Service	Nonmajor	
<b>Receipts:</b>					
Property Tax -----	\$ 173,314	\$ -	\$ 77,803	\$ 63,670	\$ 314,787
Tax Increment Financing Collections -----	-	322,536	-	-	322,536
Other City Tax -----	-	-	-	119,993	119,993
Licenses and Permits -----	3,309	-	-	-	3,309
Use of Money and Property -----	65,356	10,816	1,390	14,430	91,992
Intergovernmental -----	90,057	-	-	115,915	205,972
Charges for Service -----	211,599	-	-	-	211,599
Special Assessments -----	-	-	14,245	-	14,245
Miscellaneous -----	100,136	-	-	23,600	123,736
<b>Total Receipts</b>	<b>643,771</b>	<b>333,352</b>	<b>93,438</b>	<b>337,608</b>	<b>1,408,169</b>
<b>Disbursements:</b>					
Operating:					
Public Safety -----	174,741	-	-	31,396	206,137
Public Works -----	36,000	-	-	137,930	173,930
Health and Social Services -----	-	-	-	-	-
Culture and Recreation -----	551,035	-	-	12,800	563,835
Community and Economic Development -----	15	-	-	174,774	174,789
General Government -----	110,406	-	-	4,513	114,919
Debt Service -----	-	-	266,006	-	266,006
Capital Projects -----	-	416,338	-	-	416,338
<b>Total Disbursements</b>	<b>872,197</b>	<b>416,338</b>	<b>266,006</b>	<b>361,413</b>	<b>1,915,954</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>(228,426)</b>	<b>(82,986)</b>	<b>(172,568)</b>	<b>(23,805)</b>	<b>(507,785)</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out) -----	112,920	(165,000)	161,080	-	109,000
<b>Net Change in Cash Balances</b>	<b>(115,506)</b>	<b>(247,986)</b>	<b>(11,488)</b>	<b>(23,805)</b>	<b>(398,785)</b>
<b>Cash Balances Beginning of Year</b>	<b>350,160</b>	<b>536,932</b>	<b>29,482</b>	<b>443,446</b>	<b>1,360,020</b>
<b>Cash Balances End of Year</b>	<b>\$ 234,654</b>	<b>\$ 288,946</b>	<b>\$ 17,994</b>	<b>\$ 419,641</b>	<b>\$ 961,235</b>
<b>Cash Basis Fund Balances:</b>					
Reserved for Debt Service -----	\$ -	\$ -	\$ 17,994	\$ -	\$ 17,994
Unreserved:					
General Fund -----	234,654	-	-	-	234,654
Special Revenue Funds -----	-	288,946	-	419,641	708,587
<b>Total Cash Basis Fund Balances</b>	<b>\$ 234,654</b>	<b>\$ 288,946</b>	<b>\$ 17,994</b>	<b>\$ 419,641</b>	<b>\$ 961,235</b>

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS - PRIMARY GOVERNMENT**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	Enterprise Funds			
	Water	Gas	Sewer Rental	Solid Waste Collection Total
<b>Operating Receipts:</b>				
Use of Money and Property -----	\$ -	\$ 1,430	\$ -	\$ -
Charges for Service -----	212,266	1,690,108	457,341	94,624
<b>Total Operating Receipts</b>	<b>212,266</b>	<b>1,691,538</b>	<b>457,341</b>	<b>94,624</b>
				<b>2,455,769</b>
<b>Operating Disbursements:</b>				
Business Type Activities -----	160,678	1,574,479	287,058	93,811
<b>Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements</b>	<b>51,588</b>	<b>117,059</b>	<b>170,283</b>	<b>813</b>
				<b>339,743</b>
<b>Non-operating Receipts (Disbursements):</b>				
Interest on Investments -----	7,601	26,523	6,229	992
Debt Service -----	(52,883)	-	(63,528)	-
Capital Projects -----	-	-	(27,970)	-
<b>Total Non-operating Receipts (Disbursements)</b>	<b>(45,282)</b>	<b>26,523</b>	<b>(85,269)</b>	<b>992</b>
				<b>(103,036)</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>6,306</b>	<b>143,582</b>	<b>85,014</b>	<b>1,805</b>
				<b>236,707</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In (Out) -----	(10,000)	(99,000)	-	-
				<b>(109,000)</b>
<b>Net Change in Cash Balances</b>	<b>(3,694)</b>	<b>44,582</b>	<b>85,014</b>	<b>1,805</b>
				<b>127,707</b>
<b>Cash Balances at Beginning of Year</b>	<b>219,339</b>	<b>764,077</b>	<b>153,066</b>	<b>29,834</b>
				<b>1,166,316</b>
<b>Cash Balances at End of Year</b>	<b>\$ 215,645</b>	<b>\$ 808,659</b>	<b>\$ 238,080</b>	<b>\$ 31,639</b>
				<b>\$ 1,294,023</b>
<b>Cash Basis Fund Balances:</b>				
Reserved for Debt Service -----	\$ 97,525	\$ -	\$ 5,616	\$ -
Unreserved -----	118,120	808,659	232,464	31,639
<b>Total Cash Basis Fund Balances</b>	<b>\$ 215,645</b>	<b>\$ 808,659</b>	<b>\$ 238,080</b>	<b>\$ 31,639</b>
				<b>\$ 1,294,023</b>



**CITY OF SANBORN, IOWA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sanborn, Iowa is a political subdivision of the State of Iowa located in O'Brien County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, gas, sewer rental and solid waste collection for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Sanborn has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present only the amounts of the City of Sanborn and not its component unit – Sanborn Electric and Telecommunications Utility. Disclosures about the component unit are not included because the component unit has been audited separately, and a report has been issued under separate cover. The audited financial statements are available at the Sanborn Electric and Telecommunications Utility office.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Northwest Iowa Landfill Association, E-911 Board, Northwest Iowa League of Cities Board, Northern Municipal Distributors Group, O'Brien County Economic Development Board, Vector Safety Board and the Northwest Iowa Planning Commission.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

The Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Collection Fund accounts for the operation and maintenance of the City's solid waste collection activities.

### **C. Measurement Focus and Basis of Accounting**

The City of Sanborn maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### **D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public works, debt service and business type activities functions.

### **NOTE 2 – CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3. For purposes of this report, certificates of deposit are not considered investments as they are subject to withdrawal upon demand.

**NOTE 3 – BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for general obligation notes and revenue notes and bonds are as follows:

Year Ending June 30,	General Obligation		Revenue		Total	
	Bonds and Notes		Bonds and Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 225,000	\$ 33,158	\$ 72,000	\$ 45,748	\$ 297,000	\$ 78,906
2010	235,000	24,890	73,000	43,307	308,000	68,197
2011	130,000	16,077	75,000	40,768	205,000	56,845
2012	40,000	10,983	76,000	38,098	116,000	49,081
2013-2017	230,000	29,560	437,000	144,172	667,000	173,732
2018-2022	-	-	359,000	57,760	359,000	57,760
2023-2025	-	-	174,000	10,560	174,000	10,560
Total	<u>\$ 860,000</u>	<u>\$ 114,668</u>	<u>\$ 1,266,000</u>	<u>\$ 380,413</u>	<u>\$ 2,126,000</u>	<u>\$ 495,081</u>

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$575,000 in water revenue notes issued in June 2004. Proceeds from the notes provided financing for the construction of water improvements and extensions. The notes are payable solely from water customer net receipts and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 80 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$455,000. For the current year, principal and interest paid and total customer net receipts were \$52,483 and \$73,154, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$916,000 in sewer revenue bonds issued in June 2004. Proceeds from the notes provided financing for the construction of sewer improvements and extensions. The notes are payable solely from sewer customer net receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$811,000. For the current year, principal and interest paid and total customer net receipts were \$61,410 and \$171,054, respectively.

The resolutions providing for the issuance of the revenue notes and bonds include the following provisions:

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water revenue note and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) A deposit in the amount of \$56,978 shall be made to a water revenue note reserve account within the Enterprise Funds upon the delivery of the water revenue notes.
- (d) Additional monthly transfers of \$1,000 to a water improvement account shall be made until a balance of \$25,000 is accumulated. This account is restricted for the purpose of covering any deficiencies in the sinking or reserve accounts, or paying for improvements and extensions of the water utility.

**NOTE 4 - PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$32,288, \$30,748, and \$28,782, respectively, equal to the required contributions for each year.

**NOTE 5 – COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. Earned but unused sick leave hours are for subsequent use only. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation at June 30, 2008 was \$20,962. This liability has been computed based on rates of pay in effect at June 30, 2008.

**NOTE 6 – JOINT VENTURE**

The City of Sanborn has a 46% interest in a joint venture with the City of Hartley to provide garbage collection service. The cities participate in the collection of garbage, which is under the general management of one representative of each City Council. The following information summarizes the activity of the joint venture through June 30, 2008:

Cash Balance at July 1, 2007 -----	\$ 519
Add Receipts -----	131,799
Less Disbursements -----	( 126,305)
Cash Balance at June 30, 2008 -----	<u>\$ 6,013</u>

The City of Sanborn performs no receipts or disbursements functions for this joint venture. The City of Sanborn has a 46% interest in the assets, property and equipment, equity and net income. The above activity is not included in these financial statements.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The City had business transactions between the City and City officials and relatives totaling \$168,661 during the year ended June 30, 2008.

**NOTE 8 – ECONOMIC DEPENDENCY**

The Water, Sewer and Gas enterprise funds of the City of Sanborn derived the following receipts from Associated Milk Producers, Inc. for the fiscal year ended June 30, 2008:

	<u>Amount</u>	<u>% of Total</u>
Sale of Water -----	\$ 75,769	36%
Sale of Gas -----	934,256	55%
Sewer Rental Fees and Assessments -----	319,986	70%

**NOTE 9 – RISK MANAGEMENT**

The City of Sanborn is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise – Gas	\$ 99,000
General	Enterprise – Water	10,000
General	Debt Service	3,920
Debt Service	Special Revenue – Urban Renewal Tax Increment	165,000
Special Revenue - Employee Benefits	Special Revenue – Local Option Sales Tax	<u>12,000</u>
Total		<u>\$ 289,920</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources. Transfers also move available resources from funds to those funds with disbursements that need to be paid.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)**  
**ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS - PRIMARY GOVERNMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2008**

	Governmental Funds		Proprietary Funds		Total	Budgeted Amounts		Final to Total Variance
	Actual		Actual			Original	Final	
<b>Receipts:</b>								
Property Tax -----	\$ 314,787	\$ -	\$ -	\$ -	\$ 314,787	\$ 314,043	\$ 314,043	\$ 744
Tax Increment Financing Collections -----	322,536	-	-	-	322,536	320,760	320,760	1,776
Other City Tax -----	119,993	-	-	-	119,993	95,501	95,501	24,492
Licenses and Permits -----	3,309	-	-	-	3,309	2,975	2,975	334
Use of Money and Property -----	91,992	-	42,775	-	134,767	43,900	43,900	90,867
Intergovernmental -----	205,972	-	-	-	205,972	536,945	536,945	(330,973)
Charges for Service -----	211,599	-	2,454,339	-	2,665,938	2,296,965	2,296,965	368,973
Special Assessments -----	14,245	-	-	-	14,245	12,500	12,500	1,745
Miscellaneous -----	123,736	-	-	-	123,736	21,100	21,100	102,636
<b>Total Receipts</b>	<b>1,408,169</b>		<b>2,497,114</b>		<b>3,905,283</b>	<b>3,644,689</b>	<b>3,644,689</b>	<b>260,594</b>
<b>Disbursements:</b>								
Public Safety -----	206,137	-	-	-	206,137	352,625	352,625	146,488
Public Works -----	173,930	-	-	-	173,930	177,700	177,700	3,770
Health and Social Services -----	-	-	-	-	-	-	-	-
Culture and Recreation -----	563,835	-	-	-	563,835	355,935	425,935	(137,900)
Community and Economic Development -----	174,789	-	-	-	174,789	510,800	510,800	336,011
General Government -----	114,919	-	-	-	114,919	124,296	124,296	9,377
Debt Service -----	266,006	-	-	-	266,006	210,098	210,098	(55,908)
Capital Projects -----	416,338	-	-	-	416,338	775,000	775,000	358,662
Business Type Activities -----	-	-	2,260,407	-	2,260,407	2,122,250	2,247,250	(13,157)
<b>Total Disbursements</b>	<b>1,915,954</b>		<b>2,260,407</b>		<b>4,176,361</b>	<b>4,628,704</b>	<b>4,823,704</b>	<b>647,343</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>(507,785)</b>		<b>236,707</b>		<b>(271,078)</b>	<b>(984,015)</b>	<b>(1,179,015)</b>	<b>907,937</b>
<b>Other Financing Sources, Net</b>	<b>109,000</b>		<b>(109,000)</b>		<b>-</b>	<b>580,000</b>	<b>580,000</b>	<b>(580,000)</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>(398,785)</b>		<b>127,707</b>		<b>(271,078)</b>	<b>(404,015)</b>	<b>(599,015)</b>	<b>327,937</b>
<b>Balance - Beginning of Period</b>	<b>1,360,020</b>		<b>1,166,316</b>		<b>2,526,336</b>	<b>1,724,275</b>	<b>1,724,275</b>	<b>802,061</b>
<b>Balance - End of Period</b>	<b>\$ 961,235</b>		<b>\$ 1,294,023</b>		<b>\$ 2,255,258</b>	<b>\$ 1,320,260</b>	<b>\$ 1,125,260</b>	<b>\$ 1,129,998</b>



**CITY OF SANBORN, IOWA****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY REPORTING****JUNE 30, 2008**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$195,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and business type activities functions.

## **OTHER SUPPLEMENTARY INFORMATION**

## CITY OF SANBORN, IOWA

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Schedule 1

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue					
	Low - Moderate Housing	Road Use Tax	Local Option Sales Tax	Employee Benefits	Development	Total
<b>Receipts:</b>						
Property Tax -----	\$ -	\$ -	\$ -	\$ 63,670	\$ -	\$ 63,670
Other City Tax -----	-	-	119,993	-	-	119,993
Use of Money and Property -----	342	-	3,313	-	10,775	14,430
Intergovernmental -----	-	115,915	-	-	-	115,915
Miscellaneous -----	-	-	-	-	23,600	23,600
<b>Total Receipts</b>	<b>342</b>	<b>115,915</b>	<b>123,306</b>	<b>63,670</b>	<b>34,375</b>	<b>337,608</b>
<b>Disbursements:</b>						
Operating:						
Public Safety -----	-	-	-	31,396	-	31,396
Public Works -----	-	121,682	-	16,248	-	137,930
Culture and Recreation -----	-	-	-	12,800	-	12,800
Community and Economic Development -----	-	-	169,016	-	5,758	174,774
General Government -----	-	-	-	4,513	-	4,513
<b>Total Disbursements</b>	<b>-</b>	<b>121,682</b>	<b>169,016</b>	<b>64,957</b>	<b>5,758</b>	<b>361,413</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>342</b>	<b>(5,767)</b>	<b>(45,710)</b>	<b>(1,287)</b>	<b>28,617</b>	<b>(23,805)</b>
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In (Out) -----	-	-	(12,000)	12,000	-	-
<b>Net Change in Cash Balances</b>	<b>342</b>	<b>(5,767)</b>	<b>(57,710)</b>	<b>10,713</b>	<b>28,617</b>	<b>(23,805)</b>
<b>Cash Balances Beginning of Year</b>	<b>12,758</b>	<b>34,604</b>	<b>154,051</b>	<b>956</b>	<b>241,077</b>	<b>443,446</b>
<b>Cash Balances End of Year</b>	<b>\$ 13,100</b>	<b>\$ 28,837</b>	<b>\$ 96,341</b>	<b>\$ 11,669</b>	<b>\$ 269,694</b>	<b>\$ 419,641</b>
<b>Cash Basis Fund Balances:</b>						
Unreserved:						
Special Revenue Funds -----	<b>\$ 13,100</b>	<b>\$ 28,837</b>	<b>\$ 96,341</b>	<b>\$ 11,669</b>	<b>\$ 269,694</b>	<b>\$ 419,641</b>

## CITY OF SANBORN, IOWA

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Schedule 2SCHEDULE OF INDEBTEDNESS - PRIMARY GOVERNMENT  
YEAR ENDED JUNE 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
<b>General Obligation Bonds and Notes:</b>									
Street and Utility Improvements -----	June 15, 2004	1.90% - 3.95%	\$ 585,000	\$ 350,000	\$ -	\$ 85,000	\$ 265,000	\$ 12,753	\$ -
Street and Utility Improvements and Refunding of Notes -----	June 15, 2007	3.75% - 4.20%	735,000	735,000	-	140,000	595,000	27,353	-
<b>Total General Obligation Bonds and Notes</b>				<u>\$ 1,085,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 860,000</u>	<u>\$ 40,106</u>	<u>\$ -</u>
<b>Revenue Bonds and Notes:</b>									
Sewer -----	June 9, 2004	3.00%	916,000	\$ 847,000	\$ -	\$ 36,000	\$ 811,000	\$ 25,410	\$ -
Water -----	June 15, 2004	2.15% - 5.30%	575,000	485,000	-	30,000	455,000	22,483	-
<b>Total Revenue Bonds and Notes</b>				<u>\$ 1,332,000</u>	<u>\$ -</u>	<u>\$ 66,000</u>	<u>\$ 1,266,000</u>	<u>\$ 47,893</u>	<u>\$ -</u>

**BOND AND NOTE MATURITIES - PRIMARY GOVERNMENT  
JUNE 30, 2008**

General Obligation Bonds and Notes for Street and Utility Improvements and Refunding of Notes					
Year Ending June 30,	Date of Issue June 15, 2004		Date of Issue June 15, 2007		Total
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2009	3.55%	\$ 85,000	3.75%	\$ 140,000	\$ 225,000
2010	3.75%	90,000	3.75%	145,000	235,000
2011	3.95%	90,000	3.85%	40,000	130,000
2012		-	3.90%	40,000	40,000
2013		-	3.95%	40,000	40,000
2014		-	4.05%	45,000	45,000
2015		-	4.10%	45,000	45,000
2016		-	4.15%	50,000	50,000
2017		-	4.20%	50,000	50,000
		<u>\$ 265,000</u>		<u>\$ 595,000</u>	<u>\$ 860,000</u>

Revenue Bonds and Notes					
Year Ending June 30,	Water		Sewer		Total
	Date of Issue		Date of Issue		
	June 15, 2004		June 9, 2004		
	Interest Rates	Amount	Interest Rates	Amount	
2009	3.80%	\$ 35,000	3.00%	\$ 37,000	\$ 72,000
2010	4.00%	35,000	3.00%	38,000	73,000
2011	4.20%	35,000	3.00%	40,000	75,000
2012	4.40%	35,000	3.00%	41,000	76,000
2013	4.55%	40,000	3.00%	42,000	82,000
2014	4.70%	40,000	3.00%	43,000	83,000
2015	4.85%	45,000	3.00%	44,000	89,000
2016	5.00%	45,000	3.00%	46,000	91,000
2017	5.10%	45,000	3.00%	47,000	92,000
2018	5.20%	50,000	3.00%	49,000	99,000
2019	5.30%	50,000	3.00%	50,000	100,000
2020		-	3.00%	52,000	52,000
2021		-	3.00%	53,000	53,000
2022		-	3.00%	55,000	55,000
2023		-	3.00%	56,000	56,000
2024		-	3.00%	58,000	58,000
2025		-	3.00%	60,000	60,000
		<u>\$ 455,000</u>		<u>\$ 811,000</u>	<u>\$1,266,000</u>

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS**

	<b>Years Ended June 30,</b>			
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Receipts:</b>				
Property Tax -----	\$ 314,787	\$ 300,436	\$ 307,930	\$ 310,156
Tax Increment Financing Collections -----	322,536	300,923	274,714	268,794
Other City Tax -----	119,993	110,846	86,993	86,705
Licenses and Permits -----	3,309	2,025	2,640	2,295
Use of Money and Property -----	91,992	101,889	85,642	65,244
Intergovernmental -----	205,972	339,906	270,420	410,820
Charges for Service -----	211,599	147,033	140,143	136,521
Special Assessments -----	14,245	13,242	19,142	24,963
Miscellaneous -----	123,736	95,980	255,115	370,801
<b>Total Receipts</b>	<b>\$ 1,408,169</b>	<b>\$ 1,412,280</b>	<b>\$ 1,442,739</b>	<b>\$ 1,676,299</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public Safety -----	\$ 206,137	\$ 325,424	\$ 156,047	\$ 205,530
Public Works -----	173,930	193,169	158,089	163,125
Health and Social Services -----	-	-	-	-
Culture and Recreation -----	563,835	662,809	263,336	286,071
Community and Economic Development -----	174,789	110,066	115,815	302,720
General Government -----	114,919	116,409	109,260	131,803
Debt Service -----	266,006	522,856	213,768	208,664
Capital Projects -----	416,338	26,337	430,159	21,103
<b>Total Disbursements</b>	<b>\$ 1,915,954</b>	<b>\$ 1,957,070</b>	<b>\$ 1,446,474</b>	<b>\$ 1,319,016</b>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's primary government financial statements listed in the table of contents, and have issued our report thereon dated October 30, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

**Business services that save you money:**

- Business & individual tax preparation • Mid-year tax planning • Year-round tax planning
- Pension, estate & retirement planning • Budgeting & financial planning • Financial projections
- Small business management help • Computer consulting • IRS representation • Litigation support

**For your convenience:**

- Direct access to the principle ... always • Short phone consultations at no cost
- Early morning, evening & Saturday hours • Ten-day turnaround on financial statements
- Meetings at your place or ours

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

### **Compliance and Other Matters**

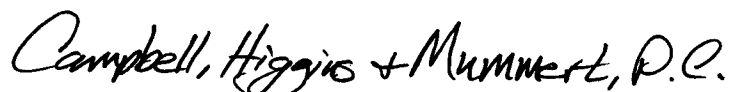
As part of obtaining reasonable assurance about whether the City's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the primary government financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sanborn and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



CAMPBELL, HIGGINS & MUMMERT, P.C.  
Certified Public Accountants

October 30, 2008



## CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008**Part I: Findings Related to the Financial Statements:****Significant Deficiencies:**

I-A-08     Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one employee performs most of the accounting functions of the City.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will try to segregate duties between office staff by reviewing operating procedures to have more internal control.

Conclusion – Response accepted.

I-B-08     Financial Reporting – During the audit, we identified and proposed an adjusting entry which was material in amount relating to the balance of the library fund certificates of deposit and savings bonds due to unrecorded interest income. An adjustment was subsequently made by City personnel to correct these items.

Recommendation - The City should implement procedures to ensure that all account balances are properly recorded.

Response – The City will implement procedures to ensure that all account balances are properly recorded.

Conclusion – Response accepted.

I-C-08     Records of Accounts - Golf Course Clubhouse – The golf course maintains a separate bank account and accounting records pertaining to the operations of the clubhouse. These transactions and the resulting balances were not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states that a "city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

The clubhouse bank account checks included only one authorized signature and they were not formally approved by the City Council.

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the Clerk's records. Also, the checks should be approved by the City council and should contain two authorized signatures.

Response – The City will control all City financial activity of the golf course and will have two authorized signatures on checks.

Conclusion – Response accepted.

## **Part II: Findings Related to Statutory Reporting:**

II-A-08 Certified Budget – Although the budget was amended on May 28, 2008, the amendment occurred after disbursements exceeded the original budget for the culture and recreation function. Also, total disbursements for the year ended June 30, 2008 exceeded the amounts budgeted (per the amended budget) in the culture and recreation, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – Although the budget was amended in accordance with Chapter 384.18 of the Code of Iowa, care should have been taken to ensure that the amendment was done prior to disbursements exceeding the original budget and that the amendment was sufficient to prevent disbursements from exceeding the amended budget.

Response – The City will try to amend the budget before disbursements are exceeded and will make sure the amended budget has disbursements high enough not to exceed the budget.

Conclusion – Response accepted.

II-B-08 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Alvina Reitsma, Librarian, Brother-in-law owns Reitsma Home Improvement	Construction of Library Building and Improvements to EMS Building, per bids	\$168,661

The transactions with Reitsma Home Improvement do not appear to represent a conflict of interest since they were entered into through competitive bidding.

- II-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Council Minutes – As noted previously, the clubhouse account disbursements were not formally approved by the City council in the minutes.

Recommendation – All disbursements should be approved by the City Council and this approval should be documented in the minutes.

Response – The clubhouse account disbursements will be approved by the Council.

Conclusion – Response accepted.

- II-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- II-H-08 Revenue Notes – The City has complied with the revenue bond and note resolutions.

- II-I-08 Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City receives and retains only a copy of the front of each cancelled check.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The bank has started providing images of both the front and back of cancelled checks as of September 2008.

Conclusion – Response accepted.